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**National Security and
International Affairs Division****B-213137**

April 23, 1987

The Honorable Ronald V. Dellums
The Honorable Don Edwards
The Honorable Vic Fazio
The Honorable Mel Levine
The Honorable George Miller
House of Representatives

This report responds to your May 19, 1986, request that we review the Department of Defense (DOD) General Terencio Sierra training exercise in Honduras, a National Guard road-building exercise conducted from January to June 1986. You requested that we follow up on our legal decision B-213137, January 30, 1986, concerning DOD's use of Operations and Maintenance (O&M) appropriations to conduct construction exercises and determine if funding for the road-building exercise complied with the \$200,000 limit for O&M-funded construction.

As requested, our primary focus was on the source, amount, type, and propriety of funding for the exercise. Also, as requested, we obtained information on the Honduran government's involvement in the exercise, the type and use of the road, maintenance responsibility, DOD plans for future road construction exercises in Honduras, and whether the exercise involved U.S. training of Honduran troops. (Details of our review are included in app. I.)

The exercise included deploying National Guard personnel and equipment to Honduras, constructing a base camp, upgrading access roads, constructing a 13-mile section of road in north central Honduras, and redeploying the personnel and equipment to the United States. The exercise was conducted by the Missouri National Guard with limited participation by eight other Guard units. The total U.S. cost of the exercise was about \$10.7 million. This included about \$5.1 million for pay and allowances funded from National Guard personnel appropriations, \$1.9 million for supplies and other items funded from O&M appropriations, and \$3.7 million for transportation funded from Joint Chiefs of Staff O&M appropriations.

With respect to the propriety of funding for the exercise construction, current law imposes several limitations on DOD's authority to use O&M appropriations to finance construction projects. For ordinary military construction, the limitation is \$200,000 for each project (10 U.S.C. 2805(c)). For reserve construction, the limitation is \$100,000 per project

(10 U.S.C. 2233a(b)). As discussed in previous decisions of this Office, however, not all exercise costs are counted towards the cost of an individual project for purposes of applying these funding limitations to exercise-related construction (see B-213137, January 30, 1986). The principal costs counted against the O&M funding limit are those for materials used in the exercise construction project and the operational costs of equipment used (other costs being considered operational costs of the exercise).

DOD arranged to have the government of Honduras pay for most of the costs that would have been attributable to the \$100,000 limitation on the use of O&M funds for reserve construction projects: Honduras contributed approximately \$60,000 worth of materials and \$130,000 worth of petroleum, oil, and lubricants (POL). DOD-funded costs attributable to the \$100,000 limitation for all construction activities conducted during the exercise were about \$115,181; \$31,181 in materials and \$84,000 in non-POL equipment usage costs.

Although these costs together exceed the \$100,000 limitation, DOD takes the view that they are attributable to two separate construction projects (i.e., a base camp and road) and that the Department thus stayed within the O&M funding limitation. That conclusion appears questionable in light of DOD guidance that clearly interrelated facilities constructed during the same time frame should be considered a single project. The base camp was constructed specifically to support the road construction project and appears to be clearly related to the overall construction project. However, because of recent congressional guidance that all exercise-related construction be charged to military construction appropriations, this should not be a concern in the future.

The DOD, in its comments, states that the guidance only applies to Army exercise-related construction. Since the funds to be charged were made available in the Army military construction appropriations, we do not view this interpretation as unreasonable. Congressional staff of cognizant committees have informed us that the matter will be discussed further during deliberations on fiscal year 1988 Defense Department appropriations. Copies of this report will be provided to the cognizant committees.

Regarding the training of Honduran troops, we found no evidence that the National Guard trained Honduran forces during the exercise.

Concerning the question of road maintenance and use, the U.S. Armed Forces, by formal agreement, are not responsible for maintenance of the road after construction. It is likely, however, that U.S. Agency for International Development (AID) funds will be used for maintenance, as part of that Agency's current program of assistance to the Honduran Ministry of Public Works. This road is essentially a farm-to-market road.

DOD conducted a similar road-building exercise in Honduras beginning in January 1987, as well as construction exercises which upgraded two airstrips. During the road-building exercise, a U.S. Army reserve unit, supported by the National Guard, widened an existing road. Specific plans beyond 1987 were not available at the time of our review.

The Department of Defense, the Missouri National Guard, and the State Department reviewed a draft of this report. The Missouri National Guard concurred with the draft report, and the State Department had no comment. The Defense Department noted that the General Terencio Sierra exercise was subject to the \$100,000 o&M limit on funding for reserve construction, rather than the \$200,000 limit applicable to other types of military construction. Our report has been changed to reflect this comment. (DOD's comments are included in appendix II and the Missouri National Guard's are in appendix III.)

We interviewed officials and examined records at the National Guard Bureau in Washington, D.C.; the U.S. Army Forces Command, Fort MacPherson, Georgia; the U.S. Southern Command in Panama; Joint Task Force Bravo in Honduras; and the Missouri National Guard. We also visited the exercise site and observed the road in Honduras. Further, we discussed the project with AID and U.S. Embassy officials in Honduras and with National Guard officials in California, Puerto Rico, Alabama, North Dakota, and Arizona. Because of their limited participation in the exercise, we did not interview officials of the Washington, D.C., Illinois, or Iowa National Guards. We performed our review during the period June through November 1986 in accordance with generally accepted government auditing standards.

Unless you publicly announce its contents earlier, we plan no further distribution of this report until 15 days from its issue date. At that time we will send copies to the Chairmen, Senate and House Committees on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations; Director, Office of Management

and Budget; the Defense Department; the National Guard; and other interested parties.



Frank C. Conahan
Assistant Comptroller General

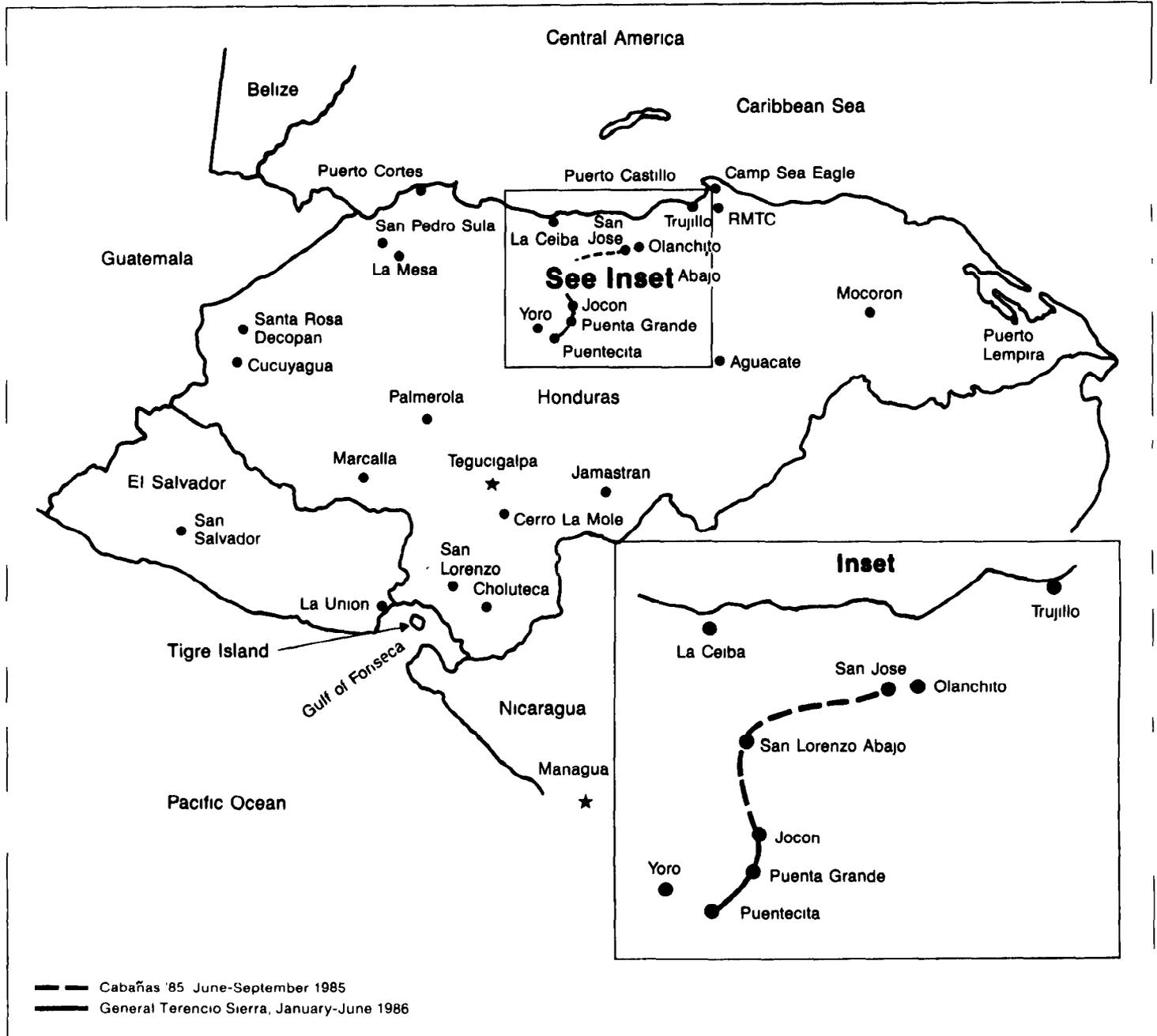
National Guard Training Exercises in Honduras

During the period January through June 1986, the Missouri National Guard, along with National Guard personnel from six other states, the District of Columbia, and the Commonwealth of Puerto Rico, participated in the General Terencio Sierra exercise in Honduras. The exercise involved both U.S. National Guard units and Honduran Armed Forces units. The objectives of the exercise were to deploy engineer units to a location outside the continental United States to fulfill annual training requirements in a realistic field environment, to enhance the readiness of participating units, and to develop a positive image for the U.S. government in the host country.

The General Terencio Sierra training exercise in Honduras involved deploying personnel and engineer equipment to Honduras, constructing a base camp, upgrading access roads, constructing a 13-mile section of road from Puentecita to Jocon, Honduras (see fig. I.1), and redeploying personnel and equipment to the United States. The exercise was designed to train U.S. military engineer units in road construction techniques. Training was also provided in deployment and redeployment, logistics, and security.

**Appendix I
National Guard Training Exercises
in Honduras**

Figure I.1: U.S. Military Road-Building Exercises in Honduras



A total of 4,620 National Guard troops, mostly from the Missouri National Guard, participated in the training exercise. Almost all of these

were rotated into Honduras biweekly to meet their annual 2-week training requirement. Sixty-eight personnel were assigned for the 6-month duration of the exercise to provide for continuity of support, command and control, maintenance, recordkeeping, and financial management.

The other National Guard units, which had limited participation in the exercise, were from California, Arizona, Illinois, and Puerto Rico (furnished military police units); the District of Columbia and Iowa (furnished medical personnel); Alabama (provided a logistical element); and North Dakota (provided engineers).

The base camp constructed during the exercise to house troops consisted of tents erected on wooden platforms. The tents were removed when the National Guard redeployed to the United States. The wooden platforms, however, were left in place for use during the 1987 exercise. The mess hall and latrine facilities, constructed of plywood, were also left in place for the next exercise. However, all equipment used in the mess halls was redeployed with the National Guard. Portable generators (used to generate electricity) and temporary bladders (used to store petroleum products) were returned to the United States upon completion of the exercise.

U.S. Funding for the Exercise

The Department of Defense (DOD) accounts that provided funding for this exercise are listed in table I.1.

Table I.1: Funding of General Terencio Sierra Exercise in Honduras

| Funding source | Amount |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Joint Chiefs of Staff exercise funds for inland transportation/port handling, airlift and sealift | \$3,658,461 |
| Army and Army Reserve National Guard Operation and Maintenance funds for supplies, repair parts, construction materials, and organizational clothing and equipment | 1,947,261 |
| National Guard Personnel Army funds for pay, allowances, subsistence, travel, and per diem | 5,118,251 |
| Total | \$10,723,973 |

Propriety of Funding

We examined DOD's use of O&M appropriations for construction activities carried out during the General Terencio Sierra exercise in light of two previous GAO legal decisions on exercise-related construction. Those decisions—B-213137, June 22, 1984 (63 Comp. Gen. 422), and B-213137,

January 30, 1986—addressed previous cases in which DOD used O&M appropriations to fund military construction projects carried out in the course of military training exercises in Honduras. In those decisions, we concluded that construction projects carried out as military training exercises are generally subject to the same funding rules as are applicable to other types of military construction. We concluded that O&M funds could be used for such projects, whether temporary or permanent facilities resulted, but only up to the applicable statutory limits on the use of O&M appropriations. Those limits are \$200,000 per project for ordinary military construction, as provided in 10 U.S.C. 2805(c), and, as DOD noted in its comments, \$100,000 per project for reserve construction, as provided in 10 U.S.C. 2233a(b).

As indicated in our January 1986 decision, we consider road construction projects, such as the General Terencio Sierra exercise, to be military construction for purposes of applying the O&M funding limitations. The two principal questions relevant to applying those limitations are: (1) What types of O&M-funded costs must be considered attributable to construction? and (2) What constitutes an individual construction project?

Attributable Costs

On the question of which types of costs should be counted toward the O&M funding limitation, our previous decisions relied to a large degree on the costing guidance of Army Regulation 415-35 (October 15, 1983). That regulation delineates costs as “funded” and “unfunded,” and provides that only funded costs are to be included in calculating the overall cost of any given construction project. According to the regulation, funded costs include the cost of materials, supplies, services, installed equipment, transportation, travel and per diem for troop labor, equipment use costs (maintenance and operation of government equipment, based on established hourly rate schedules), and site preparation costs. Unfunded (“sunk”) costs include troop labor costs, equipment depreciation, and planning and design costs.

In our January 1986 decision we noted that in calculating costs for exercise-related construction in Honduras, DOD did not include certain costs defined in Army Regulation 415-35 as funded costs, primarily those relating to transportation and travel/per diem costs for troop labor. We stated that we did not object to this treatment in light of the fact that a large portion of such expenses could be considered related to the overall exercise program, rather than to individual construction projects. We

concluded that a "materials and equipment" cost standard was a reasonable basis for attributing costs to individual projects. As discussed below, recent congressional guidance to DOD has included that standard as a basis to account for exercise-related construction. We have again used that standard in our review of the Department's compliance with the O&M funding limitation with respect to the General Terencio Sierra exercise.

In the present case, DOD limited materials and equipment costs attributable to the General Terencio Sierra exercise by having the government of Honduras provide the principal share of materials and fuel used for the exercise. As indicated in our January 1986 decision, there was no requirement for DOD to count costs paid by the government of Honduras against the O&M funding limitation. U.S. Agency for International Development (AID) officials in Honduras estimate that the government of Honduras contributed approximately \$60,000 worth of materials and \$130,000 worth of petroleum, oil, and lubricants (POL) for the exercise.

Other than materials and POL supplied by the Honduran government, the only materials or POL costs attributable to the General Terencio Sierra road-building exercise were \$31,181 in DOD-supplied materials used for the base camp construction. In addition, DOD incurred approximately \$84,000 in non-POL equipment usage costs for exercise construction activities. Attributable DOD costs thus amounted to about \$115,000.

Interrelated Facilities

In calculating construction costs attributable to the O&M funding limitation for the General Terencio Sierra exercise, DOD accounted for the costs of road-building activities as one construction project, and the costs of the nearby base camp used by engineers as a different project. In our January 1986 decision, we noted that DOD guidance provides that clearly interrelated facilities constructed during the same time frame at one location should be considered to be a single project. Using that same standard in the present case, we question DOD's treatment of base camp and road construction activities as separate projects for purposes of accounting for construction costs. The base camp was constructed specifically to support the road construction and appears to be clearly related to the overall construction project.

Although DOD's treatment of interrelated construction activities during the General Terencio Sierra exercise as separate projects appears questionable, we do not believe that this will be a major concern in future Army-funded exercises. Recent congressional guidance directs that O&M

funds not be used for any exercise-related construction outside the United States. DOD states in its comments that it interprets this guidance as applying only to Army funded exercise-related construction. Since the funds for such activities were made available within the Army's military construction appropriations, we do not view this interpretation as being unreasonable. However, staff members of cognizant congressional committees have informed us that the DOD interpretation may not be consistent with the intent of congressional guidance. They indicated that the matter will be discussed with DOD officials during deliberations on fiscal year 1988 Defense Department appropriations.

Attributable Costs for Future Exercises

Under the new congressional guidelines, the costs of Army exercise construction projects, such as the General Terencio Sierra exercise, will be charged to military construction funds, rather than to exercise O&M funds.

In House Report 99-1005, the Committee of Conference on the Continuing Appropriations Resolution for fiscal year 1987 directed the Department to finance all exercise-related construction projects overseas from \$5,000,000 set aside in the Army's unspecified minor construction account. The report directed DOD to report to the Congress the total costs for each exercise-related construction project. The following costs are to be included in the reports: (1) costs of all DOD-funded materials, supplies, and services applicable to the project; (2) labor costs other than U.S. troop labor; (3) overhead or support costs that would not have been incurred were it not for the project, other than those relating to planning and design; (4) DOD-funded costs of equipment operation, including fuel and direct maintenance costs; and (5) cost estimates of non-DOD funded items.

Involvement of Honduran Troops

The United States and Honduras developed a working agreement that stated the exercise objectives and described the responsibilities of the troops involved. The agreement stated that the Honduran Armed Forces were to

"assign a company of construction engineers to practice the operation of heavy equipment, handling of the water purification, and the use of explosives and demolitions."

A Honduran engineer unit and a security unit were assigned duties at the site during the exercise. According to National Guard officials, these

units were assigned various duties throughout the exercise and worked with U.S. troops in constructing the road and providing security.

Although Honduran troops participated in the training exercise, National Guard officials at the exercise site and U.S. Army Forces Command officials told us that the exercise did not involve U.S. training of Honduran troops. We reviewed daily progress reports prepared by the National Guard and did not find indications that the National Guard had trained Honduran troops.

Use and Maintenance of Road

The National Guard constructed a 13-mile road in two sections during this exercise. The first section involved building 10 kilometers of two-lane road with a 23-foot-wide roadway and installing 42 culverts between Puentecita and Puente Grande, Honduras. The surface of the road consisted of 6 inches of crushed rock provided by the Honduran government. The second section of road was built between Puente Grande and Jocon, Honduras, to a width of 11.5 feet and a length of 11 kilometers. This section was finished with a compacted earth surface.

The road is a farm-to-market road and is part of the Honduran rural roads program. The road provides an improved means of travel between Puentecita and Jocon for the local populace and provides access to the Aguan Valley, which is an important agricultural area of Honduras.

According to the working agreement between the United States and Honduras, the U.S. Armed Forces will not be responsible for maintaining the road upon completion of the exercise. AID officials in Honduras told us that the Honduran Ministry of Public Works would assume responsibility for maintaining the road. They also told us AID would provide immediate assistance, under a rural roads project, to ensure that the shoulders of the road are grassed over to prevent erosion.

Future Exercises and Construction Plans

A similar exercise in 1987 includes further road construction in Honduras. According to DOD officials, the 1987 exercise involves additional work on the road from Puente Grande to Jocon, including widening an existing one-lane section of road to two lanes. Also beginning in January 1987 were training exercises which upgraded two airstrips in Honduras. Specific plans beyond 1987 were not available at the time of our review.

Comments From the Department of Defense



OFFICE OF THE ASSISTANT SECRETARY OF DEFENSE

WASHINGTON, D.C. 20301

RESERVE AFFAIRS

March 5, 1987

Mr. Frank C. Conahan
Assistant Comptroller General
National Security and
International Affairs Division
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Conahan:

This is the Department of Defense response to the General Accounting Office Draft Report, "HONDURAS: U.S. National Guard Construction Exercise," dated November 20, 1986 (GAO Code 463746/OSD Case 7172).

The DoD generally concurs with the findings contained in the draft GAO report. It continues to be the DoD position, however, that the base camp construction and road building portions of the exercise constitute two separate and distinct projects. It was also recently discovered that the report contains a factual error relating to funding limitations for minor construction projects, which has apparently existed since the GAO review of the Central American road building exercises began.

Specific DoD comments for each finding contained in the GAO draft report are provided in the enclosure. The Department appreciates the opportunity to comment on the draft report.

Sincerely,

A handwritten signature in dark ink, appearing to read "Dennis R. Shaw".

Dennis R. Shaw
Principal Deputy Assistant Secretary

Enclosure

GAO DRAFT REPORT - DATED NOVEMBER 20, 1986
(GAO CODE 463746) OSD CASE 7172

"HONDURAS: U.S. NATIONAL GUARD CONSTRUCTION EXERCISE"

DEPARTMENT OF DEFENSE COMMENTS

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FINDINGS

- o **FINDING A: National Guard Construction Training Exercises in Honduras.** The GAO reported that during the period January through June 1986, the Missouri National Guard, along with National Guard personnel from six other states, the District of Columbia, and the Commonwealth of Puerto Rico, participated in the General Terencio Sierra exercise in Honduras. The GAO further reported that the exercise involved both U.S. National Guard units and Honduras Armed Forces Units. The GAO observed that the objectives of the exercise were to deploy engineering units to a location outside the Continental United States to fulfill annual training requirements in a realistic field environment, to enhance the readiness of participating units, and to develop a positive image for the U.S. Government in the host country. According to the GAO, the General Terencio Sierra training exercise in Honduras involved deploying personnel and engineering equipment to Honduras, constructing a base camp, upgrading access roads, constructing a section of road from Puentecia to Jocon, Honduras, and redeploying personnel and equipment to the United States. (p. 1, Letter; pp. 4-5, Appendix I/GAO Draft Report)

DoD Response: DoD concurs.

- o **FINDING B: Facilities Remaining in Honduras:** The GAO reported that the base camp constructed during the exercise to house troops consisted of tents erected on wooden platforms. The GAO found that the tents were removed when the National Guard redeployed to the United States but the wooden platforms were left in place because the base camp is to be used during the 1987 exercise. In addition, the GAO found that the mess hall and latrine facilities, constructed of plywood, were also left in place for the next exercise, although all equipment used in the mess hall was redeployed with the National Guard. The GAO also found that portable generators (used to generate electricity) and

ENCLOSURE

Now on pp 1, 6, and 8

temporary bladders (used to store petroleum products) were returned to the United States upon completion of the exercise. (p. 9, Appendix I/GAO Draft Report)

DoD Response: DoD concurs.

- o FINDING C: Funding For The National Guard Construction Exercise. The GAO found that the total cost of the exercise, not including transportation costs, was about \$7.1 million. The GAO reported that the exercise was funded from National Guard operation and maintenance (O&M) and personnel appropriations, and U.S. Army O&M appropriations. The GAO also found that the transportation costs for the exercise were estimated to be about \$3.7 million and were funded from the Joint Chiefs of Staff (JCS) O&M appropriations. (p.1, Letter; pp. 5-6, Appendix I/GAO Draft Report)

DoD Response: DoD concurs.

- o FINDING D: Propriety Of Funding. The GAO examined the DoD use of O&M appropriations for a military construction project in light of its previous legal decisions on exercise related construction.^{1/} The GAO observed that it differed with the DoD on several issues concerning accounting for project costs. The GAO nevertheless concluded that funding for the General Terencio Sierra exercise complied with the overall legal requirements.
- Project Scope. The GAO reported that in calculating construction costs for the exercise, the DoD accounted for the costs of road-building activities as one construction "project" and the costs of the nearby base camp used by engineers as a different "project." The GAO noted that in its January 1986 decision, it concluded that clearly interrelated facilities constructed during the same time frame at one location should be considered a single project. Using that same standard in the General Terencio Sierra exercise situation, the GAO disagreed with the DoD treatment of the base camp and the road construction activities as separate projects for purposes of accounting for construction costs. The GAO concluded, however, that the DoD did not exceed the applicable funding limitation in any event because most of the costs (which would have been counted against the \$200,000 limitation) were paid by the government of Honduras.

^{1/} B-213137, June 22, 1984 (63 Comp. Gen 422) and B-213137, January 30, 1986

Now on p 8

Now on pp 1 and 8

- **Attributable Costs.** On the question of which types of costs should be counted towards the \$200,000 per project funding limitation, the GAO noted that its previous decision relied to a large degree on the costing guidance of Army Regulation (AR) 415-35 (October 15, 1983).

According to the GAO, that regulation delineates costs as "funded" and "unfunded," and provides that only funded costs are to be included in calculating the overall costs of any given construction project. The GAO noted that funded costs are defined in the regulation to include the cost of materials, supplies, services, installed equipment, transportation, travel and per diem for troop labor, equipment use costs and site preparation costs. The GAO found that in the General Terencio Sierra exercise, the DoD limited material and equipment costs attributed to the exercise by having the government of Honduras provide the principal share of materials and fuel used for the project. The GAO observed that, as indicated in its January 1986 decision, the DoD was not required to count costs paid by the government of Honduras against the \$200,000 limitation cited in 10 U.S.C. Section 2805(c). (The GAO noted that it is estimated the Hondurans contributed approximately \$60,000 worth of materials and \$130,000 worth of petroleum, oil and lubricants (POL) for the project.) The GAO found that the only DoD materials or POL costs attributable to the exercise were \$31,181 in DoD-supplied materials used for the base camp construction and approximately \$84,000 in equipment usage costs. The GAO concluded that, consequently, the overall total of \$115,000 in DoD costs attributable to the project were consistent with the \$200,000 funding limitation. (p. 2, pp. 6-10, Appendix I/GAO Draft Report)

Now on pp 1-2, 9-10, and 11

DoD Response: DoD partially concurs. It continues to be the DoD position that the base camp construction and road building portions of the exercise constitute two separate and distinct construction projects. It should be noted that the \$200,000 limitation imposed by 10 U.S.C. Section 2805(c) for minor construction projects does not apply to Army National Guard O&M appropriations. Instead, 10 U.S.C. 2233a establishes a limitation of \$100,000 for minor construction projects. Action has been initiated to verify that the funding associated with each of these projects is within the \$100,000 limitation.

- **FINDING E: Attributable Costs For Future Exercises.** The GAO observed that under new congressional guidelines, the costs of exercise construction projects similar to the General Terencio Sierra exercise will be charged to military construction funds rather than to exercise O&M funds. The GAO pointed out that in House Report 99-1005, the Committee of Conference on the Continuing Appropriations Resolution for FY 1987, directed the DoD to finance all exercise-related construction projects overseas (even those costing under \$200,000) from the \$5,000,000 set aside in the Army's unspecified minor construction account. (pp. 10-11, Appendix I/GAO Draft Report)

DoD Response: DoD concurs. The Department, however, interprets the congressional language to apply only to Army exercise-related construction costs.

- **FINDING F: Involvement of Honduran Troops.** The GAO noted the United States and Honduras developed a working agreement that stated the exercise objectives and described the responsibilities of the troops involved. The GAO reported the agreement provided that, specifically, the Honduran Armed Forces were to:

"...assign a company of construction engineers to practice the operation of heavy equipment, handling of the water purification, and the use of explosives and demolitions...."

The GAO reported that some Honduran units were assigned various duties throughout the exercise and worked with U.S. troops in constructing the road and providing security. The GAO also reported that, according to DoD officials at the exercise site, no Honduran troops were trained during the exercise. The GAO concluded that, based on the daily progress reports it reviewed, there was no indication that the National Guard had trained any Honduran troops during the exercise. (p. 2, Letter; pp. 11-12, Appendix I/GAO Draft Report)

DoD Response: DoD concurs.

- **FINDING G: Use And Maintenance Of Road.** The GAO found that the National Guard constructed two sections of road during the General Terencio Sierra training exercise. The GAO reported that the road is a farm-to-market road, which is part of the Honduran rural roads program. The GAO observed that, according to the working agreement between the United States and Honduras, the U.S. Armed Forces will

Now on pp 2 and 11

Now on pp 2-3, 11-12

not be responsible for maintaining the road upon completion of the exercise; instead, it will be the responsibility of the Honduran government. The GAO observed, however, it is likely that U.S. Agency for International Development funds will be used for maintenance, as part of that Agency's current program of assistance to the Honduras Ministry of Public Works. (p. 2, Letter; pp. 12-13, Appendix I/GAO Draft Report)

Now on pp 3 and 12

DoD Response: DoD concurs.

- o FINDING H: Future Exercises And Construction Plans. The GAO observed that another exercise, similar to the General Terencio Sierra exercise is planned for 1987, which will include further road construction in Honduras. The GAO reported that, according to DoD officials, the 1987 exercise will involve additional work on the same road, including widening an existing one-lane section of road to two lanes. The GAO found that the U.S. Army Reserve and National Guard units are again expected to perform this construction work during the 1987 construction exercises.

DoD Response: DoD concurs.

RECOMMENDATIONS

- o NONE.

Comments From the Missouri National Guard Bureau



USPFO

DEPARTMENTS OF THE ARMY AND THE AIR FORCE
NATIONAL GUARD BUREAU
OFFICE OF THE UNITED STATES PROPERTY AND FISCAL OFFICER MISSOURI
1715 INDUSTRIAL DRIVE
JEFFERSON CITY MISSOURI 65101-1468

2 December 1986

SUBJECT. Draft Report on Review of United States National Guard Training Exercise in Honduras

United States General Accounting Office
Washington, D. C. 20548

1. Reference your draft of a proposed report. Honduras: U. S. National Guard Construction Exercise.
2. The Adjutant General and this office concurs with the draft report as written and will not provide oral or written comments concerning the report.

Encl

Allen Stark
ALLEN L. STARK
Colonel, NGB
USPFO for Missouri



Request Letter

Congress of the United States

House of Representatives

Washington, D.C. 20515

May 19, 1986

Mr. Charles Bowsher
Comptroller General of the
United States
General Accounting Office
441 G Street
Washington, D.C. 20548

Dear Mr. Bowsher:

In 1984, and most recently in January, 1986, the General Accounting Office issued a legal decision, B-213137, concerning the Department of Defense's (DOD's) use of O&M appropriations in various categories of activities in joint exercises in Honduras during Ahuas Tara II. In that report, the GAO identified areas where the DOD had misused appropriated funds.

Last Congress, in response to that report, the House Appropriations Committee instructed the DOD to "take such steps as necessary to prevent recurrence of such improprieties in the future." H. Rept. 98-1086.

As you know, the DOD, employing various states' National Guard, is currently engaged in the General Perencio Sierra '86 training exercise in Honduras. This exercise is a road-building program and the states' guard are participating at the request and expense of the federal government.

However, five state governors have refused to deploy their National Guard to Honduras to participate in this six month exercise involving well over 4,600 guard. The governors have expressed grave doubts about the military activities in the area and serious reservations about the safety of their citizens given the volatility of the area. The increased United States military presence in such an area could increase the likelihood of the United States being drawn into a direct confrontation in Central America.

In response to these gubernatorial actions, Administration officials reportedly were considering legislation limiting the ultimate control states have over the National Guard in peace time. Such an approach could constitute a major rift between the federal and state governments. Such a dispute over control of the guard would come at the same time as the continuing congressional concern over DOD's contended misuse of O&M funds for the training exercises in Central America.

Mr. Charles Bowsher
Page 2
May 19, 1986

The debate over state versus federal control is secondary to the many questions which need to be answered with respect to military funding of the Honduras exercise.

For this reason, we are requesting a follow-up to your January '86 report with specific concern about the funding of the current exercise and the congressional mandate in H. Rept. 98-1086.

We would further like to highlight one finding in your 1986 ruling which appears to have direct relevance to the current exercise: the limited use of general O&M appropriated funds only to finance temporary military construction under \$200,000.

This point is relevant because, according to an Army spokesperson, the National Guard is constructing a 20-mile permanent road from Puentecita to Jocon strictly to benefit local Hondurans. (According to a California Department of Transportation estimate, a road of that length would cost approximately \$2 million.)

Others argue that this road is a preconceived continuation of an earlier road constructed last summer and, indeed, might be further extended in the future as far as Palmerola Air Base. We believe the discussion above raises questions of cost and permanency and if, as has been reported, these exercises are funded through the O&M account of the Joint Chiefs of Staff.

In your follow-up report, we would request that you consider the issues detailed below, but please do not feel only limited to these items:

- 1) Which DOD account is being used to fund the National Guard General Perencio Sierra '86 training exercise?
- 2) What is the total cost for the six month exercise?
- 3) Detail the various categories of the exercise and include the funding totals in each specific category.
- 4) Will the Honduran government assume any costs for the exercise?
- 5) Does the training exercise involve training of Honduran troops?
- 6) There has been some discussion as to the nature of the road being built in this exercise. Could you elaborate on the nature of the road, e.g., type of construction, width, etc.
- 7) Upon completion, what usage will the road serve?

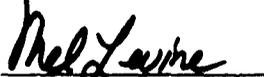
Mr. Charles Bowsher
Page 3
May 19, 1986

- 8) Which government, United States or Honduran , is responsible for road maintenance?
- 9) Review the DOD's long-term plans for road construction in this area. Is the DOD planning to continue present road construction past Jocon in subsequent training exercises? If so, when will they begin?
- 10) For this exercise has there been any repetition of funding improprieties as detailed in GAO's 1984 or 1986 decision B-213137?
- 11) If, on reviewing DOD's long-term plans for road construction in this area of Central Honduras, there are future plans for road continuation, please explain segmenting the cost of the road into training segments versus complete cost estimates of the total planned road construction.

Thank you for your prompt attention to this matter.

Sincerely,


DON EDWARDS, M.C.


MEL LEVINE, M.C.


RONALD V. DELLUMS, M.C.


GEORGE MILLER, M.C.


VIC FAZIO, M.C.

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